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ABSTRACT

In order to gather the views of consumer professionals (teachers, writers, program administrators, and business executives) on the benefits of consumer education, an essay-type survey asked respondents to identify the benefits of consumer education from classroom and community settings for both individuals and society. As a follow-up to the survey, these experts participated in a discussion. The responses provide evidence that modern consumer education teaches more than getting the best buy. Rather, it is a lifelong process essential to the economic well-being of society. Consumer education offers several benefits to individuals; it: (1) encourages critical thinking; (2) imparts life skills that contribute to success in everyday living; (3) promotes self-confidence and independence; (4) fosters broadly accepted values; and (5) improves the quality of life. In addition, consumer education offers several benefits to society: it encourages citizen awareness and promotes a stable society. Finally, consumer awareness offers several benefits to business; it: (1) satisfies customers; (2) creates realistic expectations of products and services; and (3) increases sales. (11 references) (NLA)

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The Benefits of Consumer Education A Survey Report

by John P. Knapp

Michigan Consumer Education Center

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DEFINITION AND FOCUS

"Our ultimate goal," say consumer protection agencies, "is to put ourselves out of business." When all the frauds have been routed, we won't have to scrutinize commerce because the marketplace will operate in absolute fairness to all. That's the theory, at least.

Supporters of consumer education, on the other hand, never cite that familiar saying because there will always be students who have the most compelling need and often the most earnest desire for consumer education. Their needs have, in fact, been recognized by teachers, business executives, labor organizers, community activists, and government officials.

Endorsements of consumer education from students and parents are easy to find. Teachers, too, speak well of consumer education because they find it very satisfying to introduce their students to subject matter that can be put to use right away. In the words of an influential consumer education professor, "It's exciting, it's interesting, it's needed, it's relevant, and I might add that the general public has an overwhelming desire for it." [1]

If it's true that the *idea* of consumer education has widespread acceptance, it's also true that people have somewhat different opinions about what it includes and what its goals should be. One definition that has found wide acceptance appears in *Classification of Concepts in Consumer Education*, a taxonomy by Bannister and Monsma.

Consumer Education is the process of gaining the knowledge and skills needed in managing consumer resources and taking actions to influence the factors which affect consumer decisions. [2]

Building on this definition, four areas commonly included are consumer decision-making,

economics, personal finance, and consumer rights and responsibilities. [3]

Consumer education has wide boundaries which allow it to exist in diverse settings. What are the benefits of consumer education to individuals, to business and to society? The answer to this question can be useful to policymakers in education, business, government and the community.

THE SURVEY

In order to gather the views of experts on the benefits of consumer education, the Michigan Consumer Education Center conducted a survey in 1990. It posed its questions to a small but diverse group of consumer professionals. The sample included consumer education teachers (K-12), textbook writers, heads of government consumer programs, business executives responsible for consumer education, and professors of consumer education.

The essay-type survey asked respondents to identify the benefits of consumer education that they discerned in both classrooms and community settings. It also asked what benefits consumer education has for society as well as for individuals. As a follow-up to the survey, these experts were invited to participate in a round-table discussion in which they reacted to one another's opinions.

Their responses, on which this publication is based, provide evidence for the view that modern consumer education teaches much more than just getting the best buy. It has social, political and economic dimensions, including such topics as the environmental consequences of a person's consumer choices and the social responsibilities of business. Consumer education, according to its practitioners, is a lifelong process essential to the economic well-being of individuals and society.

BENEFITS TO INDIVIDUALS

1. Consumer education encourages critical thinking, which helps the consumer function more efficiently in the marketplace. It teaches a person to question time-honored precepts and rules of thumb such as "You only get what you pay for," which recent consumer research has shown to be questionable and sometimes dead wrong. [4] The problem-solving skills required to see through advertising, hearsay, and clever brand names lead to a healthy skepticism and an understanding of the difference between appearance and reality. Thus, the choices made by individual consumers will be preceded by questioning, analysis, and a search for alternatives.

2. Consumer education imparts life skills which contribute to success in everyday living. One of the skills to be learned is the careful use of scarce resources with a focus on informed rather than haphazard purchasing. Consumers who start the buying process by distinguishing between needs and wants and who proceed to take advantage of shopping tips, product and service evaluations, and other relevant consumer information will save money. Research by Cude shows that informed buying decisions can bring about dramatic gains for consumers, especially with low-cost, repetitive purchases. [5]

Another life skill is proficiency in managing financial resources. Concerns such as budgeting, saving, investing, and credit are important to all consumers, but especially to young persons who are the most inexperienced buyers. Twenty years ago, Robert Herrmann, describing consumer behavior in young adults age 18-24, noted that they were ill-prepared to assume adult money management roles, not well informed about con-

sumer credit, and badly in need of guidance in managing their finances.[6] In 1990, a nationwide consumer education test given to a representative sample of shoppers showed huge gaps in their consumer knowledge.[7] For example, only 37% of those asked knew that the annual percentage rate (APR) is the best indication of the cost of a loan. This lack of usable information could be remedied by training in consumer life skills which are practical, relevant, and immediately useful.

3. Consumer education promotes self-confidence and independence. Knowing how to cope with a complex, technical marketplace gives consumers the feeling that they're in control. Moreover, when consumers believe that their financial resources are being well managed through their own efforts, they feel more competent to participate fully in the marketplace. This is especially valuable to young people just learning to become effective buyers. Likewise, an awareness of consumer rights and a familiarity with basic consumer laws can instill confidence in a buyer who is attempting to obtain redress. Consumer education is a tool for empowerment.

4. Consumer education fosters broadly accepted values. Although some may think that consumer education is simply a matter of teaching students how to get the most for their money, it is, in reality, much more. For one thing, the scope of consumer education has broadened well beyond the concerns of "buymanship" to include instruction in consumer rights and responsibilities, participation in the economic and political systems, and an exploration of the costs and benefits of consumer decisions.

One of consumer education's principal teachings is that because resources are finite, they should be used carefully. Furthermore, consider, the values implicit in the following consumer education topics: Distinguishing between needs and wants (*self-awareness*), paying one's bills (*responsibility*), saving one's money (*frugality*), choosing best buys (*prudence*), budgeting one's money (*purposefulness*). Consumer education supports values considered important by our society.

5. Consumer education improves the quality of life. Although the time given over to one's role as a consumer does not account for all of life, it's a major part of it. Energy and thought as well as money are expended in exercising that function. Thus, when consumer education students are taught to make decisions that save money or other financial resources, they are improving their lot. This becomes even more apparent when viewed over the long run.

Beyond that, however, are considerations of health and safety. Being an informed buyer of food means understanding not only prices but nutrition and health. Being an informed auto buyer means considering not only sticker prices but safety features. The degree to which educated consumers choose safe and healthful products rather than dubious ones also measures advancements in the quality of life.

Consumer Education

BENEFITS TO INDIVIDUALS

- 1 encourages critical thinking which helps the consumer function more efficiently in the marketplace
- 2 imparts life skills which contribute to success in everyday living

- 3 promotes self confidence and independence
- 4 fosters broadly accepted values
- 5 improves the quality of life

BENEFITS TO SOCIETY

- 1 encourages citizen awareness
- 2 promotes a stable society

BENEFITS TO BUSINESS

- 1 satisfies customers
- 2 creates realistic expectations of products and services
- 3 increases sales



BENEFITS TO SOCIETY

One way of looking at the benefits to society from consumer education is to consider them equal to individual benefits, but extended. That view has merit, but the behavior of a social group is often different from the individual actions of the people who comprise it. Individuals may not perceive the small gains in consumer knowledge that affect their group behavior. Nevertheless, society at large can still benefit.

Can It Reduce Apathy?

One of the tangible benefits to society is the creation of active, aware citizens who are ready and able to make their voices heard in public policy debates. A body of consumer-citizens, similar to the public citizens conceived of by Ralph Nader, could urge greater recognition of the consumer point-of-view from government at all levels. In short, widespread consumer education in our society may be a tonic for the kind of public apathy which often results in victimization.

The Sovereign Consumer

Another effect of consumer education on society can be seen when there are structural deficiencies in a market economy such as unequal distribution of goods and services and substantial monopoly power. People affected by these economic forces will feel frustration in their consumer role. It will appear that the system has repeatedly taken advantage of them. And *that* has the potential for causing resentment which can turn to social alienation. When entire segments of the population are affected, societal tension can increase to the breaking point.

But consumer education can "contribute to establishing consumer sovereignty in the marketplace so that the economy can more nearly achieve its legitimate purpose of maximizing the material well-being of the people as a whole." [8] If citizens feel that they're playing on a level field, societal disturbances ranging from family instability to bankruptcy can be mitigated. Consumer education does not merely postpone an eventual disruption, but changes conditions so that social upheaval can be prevented.

Social Stability

Along this line, there is evidence that consumer education programs have the "potential for increasing society's satisfaction with the present economic system." [9] A study comparing the attitudes of two groups of high school students toward business showed that those who took consumer education developed more favorable attitudes than did students who completed a course in principles of economics. Insofar as consumer education helps people use the marketplace to satisfy their needs, the study concluded, their satisfaction will carry over to their feelings about the economic system. And satisfaction with a nation's economic system, not all that common in today's world, contributes to a stable society.

BENEFITS TO BUSINESS

For many years corporations have recognized the advantages of dealing with well-informed customers. The slogan "An educated consumer is our best customer" has been around for a long time. Retailers welcome an informed consumer in the expectation that the person will become a satisfied customer.

The Satisfied Customer

To business, the advantages of customer satisfaction are manifold. For one thing, satisfied customers tell their friends and acquaintances; this word-of-mouth publicity has great value for the corporation, but costs nothing. Then too, satisfied customers have more confidence in the manufacturer and, as a result, they show increased loyalty, often becoming repeat customers.

For another thing, consumer education leads to more realistic expectations about products and services on the part of buyers. It's more likely that they'll be satisfied with their choice. Fewer consumer complaints or inquiries arise when customers are satisfied, and the company liability is lessened along with its need to provide service.

Bottom Line Benefits

Another type of benefit is possible when a company spends money to initiate consumer education programs. Typically, the hard question that management asks is whether sponsorship of educational materials and projects will make a contribution to corporate profitability.

Although research in this area is slight, the experience of the Coca-Cola company suggests a positive answer. In the early 1980's, the corpora-

tion developed a booklet called "How To Talk To A Company and Get Action," which it launched with a massive publicity campaign. The response was surprising; well over 120,000 copies were requested by consumers.

The key question, however, was whether the booklet's popularity could increase sales. To answer this question, a study was commissioned from TARP (Technical Assistance Research Programs, Inc.). It found that 15% of the booklet's recipients said they intended to increase their purchases of Coca-Cola products, a significant jump from a marketing standpoint. The corporation considered the consumer education expenditures justified by the result. According to a Coke official, "consumer education is not just a corporate nicety but an inexpensive and effective way to build customer brand loyalty." [10]

Since the corporate bottom line is so vital, this advantage should be well noted. In the past, corporate consumer affairs directors, when asked to justify their activities, had to fall back on the truism that support of consumer education improves the company's image. Now they cite the Coke study. Further research, however, is much in need, for as TARP's John Goodman observes, "the cost to the company of uneducated customers has not been established." [11]

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